East Africa Subregion: Enhancing Transportation Management To Foster U.S. Agricultural Trade Opportunities

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Introduction (Top of Page)

In September 1999, USAID/Africa Bureau's Africa Trade and Investment Policy (ATRIP) Program provided USDA/Foreign Agricultural Service/International Cooperation and Development with funding to conduct a series of interrelated activities for the East Africa Subregion (Kenya, Uganda, Tanzania). The activities, proposed in accordance with ATRIP's objective of helping African private and public sector partners design and implement policy reforms that will make their countries attractive to international trade and investment, are intended to assist policy makers in improving regional transportation management and developing a common set of agricultural standards. The very poor state of transportation infrastructure and the dearth of harmonized standards in the region are two of the largest constraints restricting faster East African economic growth, U.S.-East African bilateral trade, and East Africa interregional trade. This report focuses on the transportation aspects of that initiative.

To most accurately assess the status quo of the transportation and agricultural standards sectors and most appropriately design technical assistance activities, a transport sector assessment was conducted in March 2000. The objectives of the assessment were threefold:

- To better identify the predominant transportation constraints in the region said to be inhibiting trade.
- To propose appropriate technical assistance activities that would assist the region in overcoming constraints. Specifically, to design U.S.-based training activities for summer 2000.

- To identify key players in the transportation sectors and recommend potential participants.

The expected outcome of the proposed activities is to assist in the implementation of reforms that can help reduce transportation costs and border difficulties, thereby improving trade flow. The U.S. visits can exhibit to key stakeholders good working examples in transportation management. Follow-on workshops can help build support for reforms with a wider array of stakeholders in the East Africa region.

Principal Findings

Transportation: (Top of Page)

- Port, railway, and highway infrastructure and equipment are in need of upgrading or refurbishing in Kenya, Tanzania, and Uganda.
- Transport officials of all modes in all three countries are making a concerted effort to improve management practices to compensate for the lack of private investment in infrastructure and equipment.
- All three governments are committed to privatizing port and rail operations within their countries and allowing rail, motor carrier, port operations, and ocean shipping to operate free of economic regulation.
- Each country individually has initiated a process for reducing the inordinate delays associated with port and border clearance procedures involving customs, health, grading, and security.
- All countries participate in some form of regional effort to minimize impediments to regional and international trade flows through harmonization of transport, health, and grading standards.
- Although each country has achieved some success individually and together collectively, there are still serious infrastructure, operational, and institutional transportation constraints which inordinately drive up the costs of imports and exports.
- U.S. agricultural shippers, transport companies, and government services have faced similar constraints and could give an account of the process involved in resolving those problems.

Kenya: (Top of Page)

The Port of Mombasa: Mombasa is the largest port in East Africa and serves, not only Kenya, but also the landlocked countries of Uganda, Rwanda, Burundi, the Democratic Republic of Congo, and Southern Sudan. With a maximum depth of 11 meters, Mombasa port handles a variety of agricultural products in break bulk, containerized, and bulk form. It has 13 general cargo berths, 3 container berths with four 40-ton ship-to-shore cranes and 72 reefer points, and a recently opened 30,000-ton bulk grain receiving facility. The port generally handles 1,000- 1,500 TEU (20-foot equivalent unit) container ships and about 20,000-30,000 metric ton bulk grain vessels. Larger vessels may be accommodated if necessary.

Port Operations: The Kenya Port Authority currently operates, not only pilotage and ship berthing, but also stevedoring, shorehandling of cargo, and two inland container depots. Currently, there is business and government support to privatize stevedoring and container operations, but the process is proceeding slowly. Port management changes frequently, the current labor force would have to be reduced, and new management information systems would have to be introduced to coordinate the new private sector concessions with port authority operations, and other port services. Overall, the port appears orderly and in fairly good repair. Equipment breakdowns often interrupt the working of ships, and an equipment repair program is being initiated. Pilferage from and loss of containers remain a problem. New container terminals are planned, better management of current services is being stressed, and the need for electronic data interchange of cargo information has been recognized.

U.S. to Mombasa Shipping Patterns and Costs: For containerized agricultural products, wheat, vegetable oil, and pulses made up about 85 percent of Kenya's containerized imports from the United States in 1999. The remainder of containerized shipments included soybeans, grocery items, and edible nuts. Most shipments originate from East Coast ports and are transshipped through Antwerp, Belgium, or other large, mostly European ports. Lykes and Maersk-SeaLand handled 94 percent of cargoes primarily because these cargoes were largely food aid, which must be transported on U.S.-flag vessels. The cost of shipping a 40-foot, dry (i.e., nonrefrigerated) container from the U.S. Gulf, West, or East Coast of the United States ranges from $4,000 to $4,600. By comparison, the cost of a similar shipment to Dubai is $3,600. The difference in cost may be due to (1) the greater trade level the United States has with Dubai and (2) the increased costs of using U.S.-flag vessels, which are few in number.

For bulk grains, a large proportion of imports is for food aid, which arrives both in bulk and bagged form. Bulk shipments are cheaper and the preferred method, with bagging accomplished in Mombasa. U.S. commercial shipments of wheat occur occasionally and appear competitive to Argentine ocean freight rates at between $18 and $20 per ton. Lack of frequent commercial shipments from the United States makes any sort of definitive analysis difficult. Most bulk shipments originate in the Gulf, but a few U.S.-flag shipments have originated in the Pacific Northwest over the past several years. Shipments are direct to Mombasa and range from 20,000 to 30,000 metric tons per ship.

Container Cargo Handling: While container ship unloading is at a lower level than at most ports (guaranteed rate of 20 containers per crane per hour) and crane operations are often interrupted for lunch breaks and other reasons, the physical unloading of ships is not as constraining as the actual management of the containers once they are stacked in container yards. Information exchange among the port container yard managers, container receivers, trucking firms, the railroad, customs officials, phytosanitary inspectors, and quality inspectors is so poor that it is not uncommon for a container to remain in the port for weeks before being cleared and leaving the port. On the other hand, clearing companies (freight forwarders) report that a 2-day clearance process can be consistently achieved if sufficient attention is given to documentation and adherence to and knowledge of the process in place.

Bulk Cargo Handling: Bulk grain movements out of the port are generally a little simpler from a documentation point of view, given the size of the cargo. Importers generally pay for their own independent inspection for sanitary/phytosanitary compliance with Kenyan regulations but are still required to pay for Kenyan government quality and health inspections. There are more than a few examples of grain arriving and being held because of disagreements between the cargo owner and Kenyan health/quality inspectors. During this time, the cargo deteriorates, further complicating the importing process.

The physical unloading of grain is bound to improve with the recent opening of a new, 30,000- metric-ton bulk grain receiving and storage facility at the port. Formerly, bulk grain was unloaded at a rate of about 2,000 tons per day, bagged in Mombasa, and loaded into trucks or rail wagons for delivery in Kenya or bordering countries. The process was slow and expensive and contributed to grain loss and deterioration. The present system should lower the ocean freight costs of imported grain as the facility has the capacity for unloading 10,000 to 12,000 tons of grain per day and can handle ships from 40,000 to 50,000 tons. Faster ship unloading and larger grain shipment sizes generally translate into lower freight rates. The facility itself estimates a $12 per ton savings in ocean freight rates. For U.S. exporters, larger shipment sizes and lower freight rates per cargo increase their ability to compete with grain exporting countries located closer to Kenya.

The new bulk grain handling facility also has the capability to load bulk grains directly into rail cars or trucks. Unfortunately, having received bagged grain almost exclusively in the past, very few grain milling facilities at inland destinations have the capability to receive grain in bulk form. This is changing. One major mill in the Nairobi area is able to receive grain in bulk form, and several other mills are building or converting their facilities to receive bulk grain. Transportation of bulk grain will probably be the limiting factor for some time as few trucks have the capability to efficiently handle bulk grain shipments and there are essentially no rail hopper cars on the Kenyan railroad to devote to grain transport.

Port Freight Forwarding, Customs, Security, and Inspection Services: While even Mombasa's port managing director admits the physical movement of containers out of the port area could be better coordinated and expedited, importers most often cite the documentation process as the largest impediment to moving a container out of the port. The process has been improving, but it can still take from 4 to 14 days to clear a container from the port area. The clearance problems discussed here generally apply to Kenya-bound cargoes. Crossing the border into Uganda or other countries, discussed later in the section on Uganda, generates an additional set of challenges and opportunities for improvement.

For food products, Kenya customs service, the Kenya Plant Health Inspectorate Service (KEPHIS), the Kenya Bureau of Standards (KBS) for food quality inspection, and port security/police services must all be cleared before a container is allowed to leave. The process used to entail 17 different documents but has been consolidated into one World Trade Organization-generated form. Even with one form, the process may fail if the

freight forwarder or clearing agent is inexperienced or does not pay sufficient attention to detail. It was reported that there are currently 1,036 approved freight forwarders that work in the Mombasa port, "about 936 too many," a freight forwarder stated. Unfortunately, little knowledge of procedures is required to become a clearing official, and the costs to open an "office" are minimal.

The Kenya customs service appears to work efficiently with few complaints other than occasional problems associated with determining the value of the imported good. Some procedures, such as having to name the mode of transport from the port, should be reviewed. Often the mode changes because of port clearance delays, and the whole clearance process may have to begin anew. KBS currently has its lab in Nairobi rather than Mombasa, which can cause delays in clearing products out of the port. Generally, however, KBS does not examine grains for quality, since it accepts certificates of quality at origin. If something happens to grain enroute to the port, Uganda, or another interior destination and it is obviously damaged or infested, KEPHIS examines the cargo and makes a determination of condition. If the cargo is found unacceptable at either port, then one of four options is selected: return it, convert it to animal feed, reexport it, or destroy it. Health inspections by KEPHIS personnel appear to be performed expeditiously, but importers feel the inspection fee is too high for the service itself. KEPHIS charges for its inspections using a "value of commodity" pricing system, and importers feel a system based on "cost of inspection" would be more appropriate. Security clearances out of the port may be required from a number of different agencies, including port security, local police, national police, internal affairs, customs police, etc. All of the services were reported having the common problems of corruption and inefficiency. It is also important to note that KEPHIS only has offices and conducts inspections at the port. This means, among other things, that cargo coming from Uganda is not inspected until it crosses the entire country and arrives in Mombasa. Customs bureaus have control at the land borders regarding health but do not know the standards.

Kenyan Rail Service: The Kenyan Rail Authority is controlled and operated by the Kenyan government but operates fairly independently. The rail authority can offer various levels of services, change its freight rates for various commodities and destinations, and in many ways operate fairly autonomously. Truck competition appears to hold rates to appropriate levels. The Kenyan government would like to privatize the railroad over the next 18 to 24 months but has yet to agree on a plan to restructure the operation. The railroad cannot operate without a subsidy as only the main line between Mombasa and Kampala, Uganda, is profitable. Several of the branch lines and passenger service (10 percent of traffic) would have to be discontinued without government subsidies.

With 2,000 kilometers of rail line (one meter gauge), most of which is about 100 years old, the road bed is in serious need of repair. Of the183 diesel locomotives, those that work are in short supply. Their average age is 23 years, and there is little or no preventive maintenance. Kenya has leased locomotives from South Africa and has a contract with General Electric to rehabilitate engines as a means to maintain the service it

now offers. Railcars are also in insufficient supply and poor condition. There is no money to purchase new equipment like grain hopper cars.

Many still give the Kenyan railroad relatively high marks for its Mombasa to Kampala service. The railroad seems to have worked out a clearance system with both Mombasa port and the border at Kampala. Containers routinely clear the port in 2 days, and customs and other inspections at the Tororo yard on the Kenyan-Ugandan border appear to work fairly smoothly because the cargoes are precleared in Mombasa. The transit time has fallen from 28 days to 4-5 days. There have been some experiments using "block trains," which never pick up or drop cargo at intermediate points, and the transit times have dropped to 2 days. About 30 percent of all traffic through Mombasa leaves the port by rail.

Kenyan Motor Carrier Service: Most of the containers and other goods leaving the port for Nairobi or other Kenyan cities travel on trucks. Hauls are usually short, and the versatility and speed of motor carriers is important for many receivers. Kenya has 150,000 kilometers of roadway, only 9,000 of which is paved. The Kenyan government (public works) maintains the current road system although new roads are built under private contract. Motor carriers may charge whatever the shipper is willing to pay.

A combination of poor maintenance, lack of enforcement of truck and axle weight regulation, and the El Nino storms of 1998 all combined to create a near crisis for Kenyan road travelers. Pot-holed, rutted, and washed-out roads increased transit times for freight and passengers alike. Damage to vehicles and discomfort to drivers and passengers forced the government to enact and enforce axle weight restrictions and begin road resurfacing. As trucks are often owned by small, keenly competitive firms whose profit margins are slim, there is an economic incentive to overload. Trucks having 30-ton to 40-ton cargoes are common and many trucks do not always have sufficient axles to spread the weight of the load. More weigh stations, increased spot highway checks, and increased fines are having some impact on reducing road damage. Again, the enforcement of standard weight regulations is thwarted by low-paid, poorly supervised officials. Generally, the roads are in a very poor state of repair and transport costs are high due to the transit times and the damage to trucks and cargo.

Tanzania: (Top of Page)

The Port of Dar Es Salaam: Dar Es Salaam is the second largest port in East Africa after Mombasa and is less than half the size of its northern neighbor. The port offers an alternative, competitive rail/lake route to Uganda and also serves the landlocked countries of the Democratic Republic of Congo, Burundi, and Rwanda (by road). Rail lines also connect the port to Zambia, Zimbabwe, and Botswana. With a maximum depth of 13 meters, Dar Es Salaam is capable of handling 30,000-ton grain vessels and ships larger than the 1,000 to 1,500 TEU vessels which generally call at the port. Of interest to agricultural shippers, the port has eight berths for general cargo, a container terminal with 3 ship-to-shore gantry cranes, and a 30,000-ton bulk grain receiving facility.

Port Operations: Unlike Mombasa, the Tanzania Harbors Authority has only direct operational control of pilotage and berthing. Shorehandling of cargo, container terminal management, and grain operations has been privatized. The port management reports the clearing process at the port is slow and can take up to 5 days to clear a container. Lack of any electronic data interchange between ships, port, and customers makes finding and clearing cargoes slow and difficult. A task force composed of the port management, port users, and other transportation officials is currently working to reduce the complexity and time of the clearing process. Some progress is evident. It used to take 13 days to clear a container, and the parties involved are hoping to bring the clearance process down to 2 days. As both Mombasa and Dar Es Salaam serve many of the same inland markets, the ports compete for business, and this rivalry seems to foster positive change. In reality, although there is some diversion of cargoes from one port to the other, the change in the amount cargo handled by each port for inland distribution does not vary much from year to year.

U.S. to Dar Es Salaam Shipping Patterns and Costs: For containerized agricultural products, soybeans, vegetable oil, and pulses made up about 95 percent of Tanzania's imports from the United States in 1999. The remainder of containerized shipments included grocery items, beef, and tobacco. Most shipments originate from East Coast ports or Houston and are transshipped through Algiceras, Spain, Antwerp, Belgium, or other large, mostly European ports. Lykes and Maersk-SeaLand handled 95 percent of cargoes primarily because these cargoes were largely food aid, which must be transported on U.S.-flag vessels. The cost of shipping a 40-foot, dry (i.e., nonrefrigerated) container from the U.S. Gulf, West, or East Coast of the United States ranges from $4,000 to $4,600, the same rate as to Mombasa. By comparison, the cost of a similar shipment to Dubai is $3,600.

For bulk grains, most shipments arrive in bulk form and are unloaded into 10 dump trucks, which haul the grain to the 30,000-ton storage facilities a short distance from the berth. Imports are largely from Australia at a rate of approximately $20 per metric ton. Although ocean freight is often cited for not purchasing U.S. grain, U.S. commercial shipments to Mombasa have occurred at approximately the same rate. Importers may prefer to purchase Australian grain for reasons of price, quality, or other factors.

Tanzania's Central Freight Bureau is able to apply some economic regulation to the transport of goods to and from the country. The Bureau for many years booked freight for importers and exporters of both bulk and containerized shipments, but this service is being privatized. The agency is apparently keeping the responsibility for oversight of the ocean freight rates charged for imports and exports. If rates appear too high or too low, the Bureau has the authority to intercede for the shipper or carrier and have the rate adjusted. The customs service, which derives its revenue from a percentage of the landed cost of an import, is most concerned about very low freight rates for inbound cargoes. The file of rates the Bureau uses to determine "fair and reasonable rates" is proprietary to the agency, and the public is not allowed access.

Container Cargo Handling: Although the port is able to achieve a rate of 25 containers handled per hour per crane, the problem of moving containers out of the port expeditiously lies in the organization and information interchange among inspection, customs, and transportation groups. There are 35 clearing agents for the port, and they report that there are too many documents and customs and inspection agencies are slow to respond. About 40 percent of cargoes are moved from the port, by truck for mostly local delivery, and the remaining 60 percent are handled by the railroads for transshipment to other countries and other parts of Tanzania.

Bulk Cargo Handling: Because one grain mill handles the majority of imports through the port, the process of moving grain in bulk form is much further ahead in Dar Es Salaam than in Mombasa. The company mills about 800 tons daily at two sites, one having a storage capacity of 40,000 tons and the other 25,000 tons. The company always buys in bulk from Australia in lots of 30,000 tons or more. It coordinates with the port during unloading and achieves a 3,000-per-day discharge rate. The grain is shipped in bulk to the local milling sites where it is either milled or bagged for shipment to Uganda.

Port Freight Forwarding, Customs, Security, and Inspection Services: The National Transportation Corporation (NTC), a quasi-governmental organization responsible to the Ministry of Tranport, is a unique institution in the East African subregion. NTC serves as counsel on matters related to transportation development and as a holding corporation. NTC manages 10 companies with approximately 260 trucks. The headquarters also has five trucks which simply take containers out of the ports in an effort to keep things moving. NTC has no formal relationship with freight forwarders, but works with them informally. The Tanzanian Bureau of Standards (TBS) takes samples of incoming cargo right at the port and examines them there. Similar to KBS, TBS does not generally examine incoming grains for quality, since they accept certificates of quality at origin. It appears as though the Ministry of Health inspects for health and safety, although this remains somewhat nebulous.

Tanzanian Rail Service: The Tanzanian Rail Corporation (TRC) is controlled and operated by the Tanzanian government, but the railroad appears to have at least some autonomy over operations. Rail rates may be changed at any time by the railroad with consideration to costs and motor carrier competition. In practice, rates do not vary much as shippers seem to have enough political and economic leverage to thwart most increases. This is especially true with regard to exports of nationally produced agricultural commodities like coffee and sugar.

The railroad operates 2,720 kilometers of track serving, not only Tanzanian cities in the interior, but also countries bordering Lake Tanganyika and Lake Victoria. A transshipment point on the shores of Lake Tanganyika, 1,255 kilometers from the port of Dar Es Salaam, allows rail-barge carriers to serve the Democratic Republic of Congo (DRC) and Burundi. The line to Tanganyika branches at Tabora to run straight north to the port of Mwanza on Lake Victoria. From Mwanza, rail cars reach Uganda and Western Kenya also using a rail-barge service.

The TRC also operates an inland container terminal at Isaka. This location, with container storage yard, break bulk storage facilities, and transfer cranes, allows containers and other goods to be transloaded onto trucks for delivery to Rwanda, Burundi, the DRC, and Uganda.

The Tanzanian Zimbabwe Rail Authority (TAZARA), a rail line constructed by the Chinese in the 1960s, also operates rail service out of Dar Es Salaam. The TAZARA line runs 1,852 kilometers to Kapiri Mposhi, Zambia, the edge of Zambia's copper belt. Here the line links with the railways of Zambia, Zimbabwe, and Botswana.

Tanzanian Motor Carrier Service: Highway transport in Tanzania remains mostly an internal affair, with international border crossings for the most part accomplished using rail and inland water transport. Nonetheless, freight motor carriage is undergoing transition within the country. In the past, motor carriers operated under a rate and service structure largely determined by the government. One goal of motor carrier regulation was to maintain reasonably priced transport to and from agricultural production areas (e.g., coffee, tea, cashews, sugar cane, and maize) in the hinterlands. Trucking companies, which in essence were government operated, are now privatizing. Old equipment and a former network which brings in little revenue hinder these efforts. Axle weight enforcement is a serious problem with "tough" rules often unenforced and there is a prevailing feeling that "the other" trucking companies are ignoring the weight regulations. A new "Land Transport Committee," made up of shippers and transporters, has been initiated to set up rules to regulate market entry, safety, and other issues regarding road, rail, and pipeline transport.

Uganda: (Top of Page)

Access to Ocean Ports: About 100 years ago, the Mombasa to Kampala rail line was completed to give Ugandan traders efficient access to international markets. This rail line and the two-lane highway which now runs parallel to it are still the primary means to move cargo into and out of Uganda. Poor road conditions between Kampala and the Kenyan border at Malaba and lengthy border crossing procedures have made a rail-water route across Lake Victoria a viable, alternative route. Railcars loaded in Kampala are moved a short distance to Port Bell on Lake Victoria. From Port Bell, railcars move on barges west to Kisumu, a Kenyan port, and then by rail to the Mombasa-Kampala main line near Nakuru. Dar Es Salaam also offers Uganda alternative ocean access using the rail line from Kampala to Port Bell and continuing by rail-barge south across Lake Victoria to the port of Mwanza, Tanzania. From Mwanza, the rail line runs south to Tabora and then east to Dar Es Salaam. Another international port access, which has recently become more competitive with Dar Es Salaam and Mombasa, is through the port of Durban, South Africa. The newly inaugurated rail service uses existing rail lines and lakes from Durban, through Mozambique, Zimbabwe, Zambia, and Tanzania, to reach Uganda.

Service and Cost: Although the distance and cost from Durban to Kampala is much greater than any of the other routes through Dar Es Salaam or Mombasa, Ugandan

importers of high-valued goods find the route an acceptable alternative because of its consistency. The new service carries a small percentage of imports into Uganda, but importers who rely on spare parts and material for their manufacturing processes are more concerned about receiving goods on time regardless of the increased transit time (18 days) and additional cost ($4,200 per 20-foot container) over the other routes. Dar Es Salaam handles approximately 20 percent of the imported traffic into Uganda versus nearly 80 percent through Mombasa. Dar Es Salaam is reputed to be increasing its share of through or transit traffic to Kampala because the number of days to clear the port has decreased and become more consistent than Mombasa. The shift is occurring even though the transit time and cost from Dar Es Salaam to Kampala (14 days and $3,200) is more than the transit time and cost from Mombasa to Kampala (11 days and $2,975).

Mombasa-Kampala Border Clearance: Because of tradition, proximity, and cost, the route from Mombasa to Kampala is the most popular for Ugandan importers and exporters, carrying over 80 percent of the traffic to and from Uganda. As mentioned earlier in the section on the Mombasa port, the clearance process is one of the biggest impediments to expediting traffic from the port to inland Kenya. The process becomes even more complicated with transit cargoes destined for Uganda. For Kenya, security is the predominant issue of concern because many Ugandan-bound cargoes are delivered to Kenya without paying Kenyan customs. To reduce the amount of diverted cargoes, Kenyan police have all trucks report to Mariakana, near Mombasa, on certain days of the week, and trucks are "escorted" to the Ugandan border. This security measure also increases the time in transit to Uganda. Railed goods are less of a security problem than trucks because it is easier to control and monitor their movement across the border. Over and above the normal Kenyan clearances needed, the Ugandan importer must obtain nearly the same clearances again at the Ugandan border town of Malaba. Here, customs must be paid, a sanitary/phytosanitary inspection must be performed, and the quality of the cargo must be determined. Although the same health or quality inspection may have occurred in Mombasa by Kenyan officials, there is no acceptance of one another's inspection certification. Also, no Ugandan inspectors are stationed in Mombasa to clear goods transiting to Uganda. The same lack of reciprocity exists between Kenyan customs and Ugandan customs. If both countries agreed on harmonization and reciprocity, the time it takes for clearing cargos at the Ugandan border (estimated at 30 percent of transit time) could be greatly reduced.

Ugandan Rail Service: The Uganda Railroad Corporation (URC), part of the Ugandan government, only operates a rail line to Malaba, where it joins the Kenyan Rail Authority rail bed and another short line to Port Bell to load barges. Although Kenya's and Uganda's only profitable rail service is the Mombasa to Kampala line, the two railroads do not operate in conjunction with one another. Information sharing and cooperation concerning border clearances (clearing is performed at the Tororo yard near the border), the location of cargos and rail wagons, train scheduling, and other matters could improve service. Both rail companies are even privatizing at different times and may adopt different schemes to accomplish that transfer of authority and operations.

Today, the URC operates fairly autonomously and is able to set its own shipping rates, schedule service, and work out its own labor agreements. The rail line failed financially in 1997 but operates today without government subsidies. The Ugandan government appears close to transferring the railroad to private control and operation, probably before the Kenyan government privatizes its railroad. To date, the East African Railway Development Corporation, a Canadian subsidiary, has submitted a business plan, and the government is considering the proposal. The government's plan is to lease out the operating rights for 5 years, but the government will own all assets and the right-of-way. After 5 years, the plan is to advertise again for bidders and sell the assets and operation outright.

The rail line sorely needs upgrading. Without needed rehabilitation, it is estimated that the line has no more than 10 years of useful life. Although it was designed for train speeds up to 80 kilometers per hour (kph), it barely operates at speeds of 25 kph. Operations also suffer because there is about three times more traffic inbound than outbound. The rail yard in Kampala is congested, and cars often wait many days longer than necessary to unload. Once unloaded, they seldom make the return journey to Mombasa expeditiously. Often shippers in Mombasa wait for empty wagons or flat cars to return before they can ship loads out to Uganda. The URC currently employs about 1,800 people but only needs about 1,000 to operate. The railroad lacks the funds to pay severance to employees so it must continue to pay for labor it does not need.

Ferry operations out of Port Bell on Lake Victoria to both Kisumu, Kenya, and Mwanza, Tanzania, were initiated as an alternative to the "rail only" service to Mombasa. The ferry service appears to run fairly well using three 880-ton rail-barge combination vessels. Users felt that ferry captains could benefit from more training and that a certification process for them should be implemented. Ferries were sometimes reported to be operating in unsafe conditions with vessels overloaded or out of trim. The rail-ferry service from Port Bell to Kisumu was also favored because the clearance process at Kisumu was more efficient than the one at Tororo. Today, about 30 percent of Kampala-Mombasa cargoes are transported over the water route and 70 percent over the all-rail route.

Uganda Motor Carrier Service: For Ugandan importers and exporters, road transport is the preferred option over rail to Mombasa because delivery times are more reliable and flexible. About 70 percent of cargos use the highway versus 30 percent using rail, even though rates are $130 per metric ton by truck and $66 per ton by rail.

Conditions for road freight operators could hardly be worse. One stretch of Ugandan highway between Malaba and Jinja has sections washed out all together, and almost all other sections necessitate that trucks weave from the left to the right side of the two-lane road to avoid very large pot holes. Burst tires, broken springs, and bent axles are common, as are accidents. Although the road was poorly constructed, the deterioration is exacerbated by the trucks themselves which are often overloaded. The German government has agreed to fund reconstruction of this road but only if the Ugandan

government maintains oversight of the services, which will enforce axle load limits on that portion of the route.

Truck owners also complain that there should be more harmonization of axle weight regulations between Uganda and Kenya to facilitate clearance at the border and avoid fines at weigh stations. The Uganda Truck Owners Association was recently formed to advise the government on policies that would increase the efficiency of road transport. Many times, regulations come into effect without the benefit of input from road users, causing unnecessary delays, confusion, and noncompliance.

Transit Transport Coordination Authority (TTCA): The TTCA was founded in 1985 to improve operations in the Northern Transport Corridor (the Mombasa port link to other countries). TTCA became operational in 1986 with Kenya, Uganda, Rwanda, Congo, and Burundi as members. Tanzania has always maintained an observer status. TTCA is governed by a Council for Transport Ministers, which meets annually; a Technical Executive Committee, which meets biannually; and a Permanent Secretariate, which meets regularly and manages day-to-day issues.

Summary: Uganda appears to be making an earlier effort to privatize transportation services and reduce border clearing delays than either Kenya or Tanzania. One obvious reason is that Uganda relies almost exclusively on other countries to transport goods to and from international markets, and the more efficient, compatible, and transparent their operations are, the better they will be able to harmonize transport operations with neighboring countries. Tanzania has been more aggressive in privatizing its port operations than has Mombasa. Mombasa is a larger port than Dar Es Salaam, historically has had much more transit cargos moving to surrounding countries, and may have more potential for growth and investment. Tanzania's privatization efforts appear more focused and seem to have fewer problems clearing products through ports or across the borders of neighboring countries. In any case, efforts to privatize and improve transport operations are moving forward in all three countries. The process is just beginning to show results, and transporters, shippers, and government officials are cautiously optimistic. Investments in training and other cooperative assistance at this time would complement the efforts currently underway in these three countries.

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